

SANDS TOWNSHIP
MARQUETTE COUNTY, MICHIGAN
FINANCIAL STATEMENTS
AND
ADDITIONAL INFORMATION
FOR THE YEAR ENDED MARCH 31, 2005

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name Sands Township	County Marquette
Audit Date 3/31/05	Opinion Date 6/29/05	Date Accountant Report Submitted to State: February, 2006	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☒ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☒ Yes ☐ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	✓		
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name) Cowell & LaPointe, P.C.			
Street Address 101 S. Front St., Ste. 309	City Marquette	State MI	ZIP 49855
Accountant Signature <i>Gloria J. LaPointe</i>		Date 1/31/06	

REPORT CONTENTS

	<u>Page</u>
FINANCIAL STATEMENTS	
Management's discussion and analysis	1
Independent auditor's report	6
Independent auditor's report on internal control & compliance	8
Basic financial statements	
District-wide financial statements:	
Statement of net assets	10
Statement of activities	11
Fund financial statements:	
Balance sheet- governmental funds	12
Reconciliation of governmental fund balances to governmental net assets	13
Statement of revenue, expenditures and changes in fund balances - governmental funds	14
Reconciliation of the statement of revenue, expenditures and changes in fund balances of governmental funds to the statement of activities	15
Fiduciary funds:	
Statement of fiduciary net assets	16
Statement of changes in net assets	17
Notes to financial statements	18
Required supplemental information	
Budgetary comparison schedule – general fund	29
Statement of revenue, expenditures and changes in fund balances - budget to actual – special revenue funds	32
Other supplemental information	
Combining balance sheet – nonmajor governmental funds	33
Combining statement of revenues, expenditures and changes in fund balances - nonmajor governmental funds	34
Fiduciary funds:	
Combining statement of net assets	35

TOWNSHIP OF SANDS, MICHIGAN

Management's Discussion and Analysis

Our discussion and analysis of the Township of Sands, Michigan's financial performance provides an overview of the Township's financial activities for the year ended March 31, 2005. Please read it in conjunction with the financial statements.

FINANCIAL HIGHLIGHTS

- The Township's net assets are being reported for the first time under GASB 34. As such, no comparisons with prior years will be made. In future years, comparative information will be presented in various schedules throughout the Management's Discussion and Analysis.
- Net Assets for the Township as a whole increased by \$195,957 or 8.7% as a result of this year's operations.
- During the year, the Township had expenses for governmental activities that totaled \$561,331 and revenues of \$683,182.
- The General Fund reported a net fund balance of \$809,187 as of March 31, 2005, an increase of 15.7% from the April 1, 2004 fund balance of \$699,289.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities provide information about the activities of the Township as a whole and present a longer-term view of the Township's finances. Fund financial statements tell how these services were financed in the short-term, as well as what remains for future spending. Fund financial statements also report the Township's operations in more detail than the government-wide statements by providing information about the Township's most significant funds.

TOWNSHIP AS A WHOLE

The Statement of Net Assets and the Statement of Activities report information about the Township as a whole and about its activities. These reports help to provide detailed information as to whether the Township, as a whole, is better off or worse off as a result of the year's activities.

The Statement of Net Assets and the Statement of Activities only contain Governmental Activities, as the Township has no Business-Type Activities. The Governmental Activities include legislative, elections, public safety, public works, health and welfare, recreation and culture, community and economic development, general services, and administration. Property taxes, charges for services, and state sources fund most of these activities.

SANDS TOWNSHIP**Management's Discussion and Analysis – Continued****TOWNSHIP AS A WHOLE - Continued**

These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. These two statements report the Township's net assets and changes.

In a condensed format, the table below shows the net assets (in thousands of dollars) as of the current date.

Sands Township Total Net Assets – Governmental Activities

(In 000's)	Governmental Activities As of March 31, 2005
Current Assets	\$1,373
Noncurrent Assets	<u>1,109</u>
Total Assets	<u>\$2,482</u>
Long-Term Debt Outstanding	\$ 29
Other Liabilities	<u>15</u>
Total Liabilities	<u>\$ 44</u>
Net Assets	
Invested in Capital Assets	
-Net of Related Debt	\$1,109
Restricted	548
Unrestricted	<u>781</u>
Total Net Assets	<u>\$2,438</u>

Total Net Assets stood at \$2,437,962 as of fiscal year end March 31, 2005, while Total Liabilities stood at \$43,809.

SANDS TOWNSHIP**Management's Discussion and Analysis – Continued****TOWNSHIP AS A WHOLE - Continued**

The following table shows the changes of the net assets (in thousands of dollars) as of March 31, 2005. Because Sands Township's net assets are being reported for the first time under GASB 34, no comparative information for prior years is available.

Sands Township – Change in Net Assets

(In 000's)

**Governmental
Activities
As of 3/31/05**

Program Revenues

Charges for Services

\$ 29

Operating Grants and Contributions

92

Capital Grants and Contributions

3

General Revenues

Taxes

Property Taxes

286

Commercial Forest Act

4

Swamp Tax

7

Penalties Interest & Fees on Taxes

13

State Shared Revenues

174

Cemetery Lot Sales

1

Interest

16

Other

63

Total Revenues

\$688

Program Expenses

Legislative

\$ 11

General Government

185

Public Safety

59

Public Works

154

Health and Welfare

31

Community and Economic Development

7

Culture and Recreation

45

Total Expenses

\$492

Change in Net Assets

\$196

SANDS TOWNSHIP

Management's Discussion and Analysis – Continued

TOWNSHIP AS A WHOLE - Continued

The Township's Net assets continue to remain healthy. Sands Township continues to be a quality bedroom community to its larger governmental neighbor, and we are one of the county's faster growing townships. With new residents moving into the Township either through the sale of homes or new construction, it is anticipated revenue from governmental activities will increase in the future.

GOVERNMENTAL ACTIVITIES

The net assets for the Township's governmental activities increased by \$195,957 of the year ended March 31, 2005. Total revenues from governmental activities were \$564,105, while total expenses were \$491,595.

TOWNSHIP FUNDS

As the Township of Sands, Michigan completed the fiscal year as of March 31, 2005, its Governmental Funds (as presented in the balance sheet) reported combined fund balances of \$1,357,289, an increase of \$121,851 or 9.9% from April 1, 2004. The General Fund, Fire Fund, Road Fund and the Nonmajor Governmental Funds, with the exception of the Ambulance Fund, reported excess revenues over expenditures totaling \$189,121. The Ambulance Fund reported a net loss of \$67,270.

GENERAL FUND BUDGETARY HIGHLIGHTS

During the course of the year, the Township Board amended the General Fund budget to take into account events taking place during the fiscal year. Our main amendment came from an unanticipated repair of our Emergency Services roof (not covered by insurance). We used new, unanticipated revenue from timber removal from township property to fund the repair. The amendments resulted in a net increase of \$29,000. However, actual expenditures were \$109,898 less than revenues of \$481,443. Despite the budget amendment, variances to the General Fund budget still occurred. These were minor shifts within the budget. The Board will strive to minimize such occurrences in future budgets.

CAPITAL ASSET AND DEBT ADMINISTRATION

As of March 31, 2005, the Township of Sands, Michigan had \$1,109,144 invested in a variety of capital assets including land, buildings, machinery and equipment (including fire equipment and ambulance) and equity in the Marquette County Solid Waste Management Authority. In addition the Township continues to invest significant funds in roads within the Township. However, these assets are not reported as assets of Sands Township, but rather they are the property of the Marquette County Road Commission.

SANDS TOWNSHIP
Management's Discussion and Analysis – Continued

CAPITAL ASSET AND DEBT ADMINISTRATION - Continued

A breakdown of the Capital Assets (in thousands of dollars) is shown below.

Sands Township Capital Assets as of 3/31/05 (Net of Depreciation)

(In 000's)	<u>Governmental</u>
Capital Assets	
Land	\$ 302
Buildings	467
Equipment	37
Vehicles	<u>303</u>
Total	<u>\$1,109</u>

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

Reductions in Michigan State Revenue Sharing are of considerable concern to Sands Township. With decreased funds the Township continues to watch its budget very closely.

In preparing the 2005-2006 Budget the Township Board reviewed year-to-date data for all funds, along with reviewing past budget data. Every attempt has been made to develop a realistic budget from both the revenue and expense perspective.

CONTACTING THE TOWNSHIP'S MANAGEMENT

This financial report is intended to provide our citizens and taxpayers with a general overview of Sands Township's finances and to show the Township's accountability for the money it receives.

If you have any questions about this report or need additional information, we welcome you to contact the following:

Sands Township
987 S. M-553
Gwinn, MI 49841
(906) 249-9169

COWELL & LaPOINTE, PC

CERTIFIED PUBLIC ACCOUNTANTS

ROBERT K. COWELL, CPA

GLORIA J. LaPOINTE, CPA, CFP

101 SOUTH FRONT STREET

SAVINGS BANK BUILDING, SUITE 309

MARQUETTE, MICHIGAN 49855

906-228-5150

Board of Trustees
Sands Township
Marquette County, Michigan

INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Sands Township, as of and for the year ended March 31, 2005, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township's Board. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Sands Township, as of March 31, 2005 and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note A, the Township has implemented a new financial reporting model as required by the provisions of GASB Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, as amended and interpreted, as of March 31, 2005.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 29, 2005, on our consideration of Sands Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in conjunction with this report in considering the results of our audit.

INDEPENDENT AUDITOR'S REPORT - Continued

The management's discussion and analysis (identified in the table of contents) and budgetary comparison information on pages 29-31 are not a required part of the basic financial statements but are supplemental information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Sands Township's basic financial statements. The accompanying required supplemental information and other supplemental information, as identified in the table of contents, are not a required part of the basic financial statements. The required supplemental information is information required by the Governmental Accounting Standards Board; the other supplemental information is presented for the purpose of additional analysis. The required supplemental information and the other supplemental information have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.



Certified Public Accountants
Marquette, Michigan

June 29, 2005

COWELL & LaPOINTE, PC

CERTIFIED PUBLIC ACCOUNTANTS

ROBERT K. COWELL, CPA

GLORIA J. LaPOINTE, CPA, CFP

101 SOUTH FRONT STREET
SAVINGS BANK BUILDING, SUITE 309
MARQUETTE, MICHIGAN 49855
906-228-5150

MEMBER OF: THE AMERICAN INSTITUTE AND THE MICHIGAN ASSOCIATION OF CERTIFIED PUBLIC ACCOUNTANTS

**Board of Trustees
Sands Township
Marquette County, Michigan**

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Sands Township as of and for the year ended March 31, 2005, which collectively comprise the Township's basic financial statements and have issued our report thereon and have issued our report thereon dated June 29, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit, we considered Sands Township's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether Sands Township's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

However, we noted certain matters that we reported to the management of Sands Township in a separate letter dated June 29, 2005.

REPORT ON COMPLIANCE AND ON INTERNAL CONTROL Continued

This report is intended solely for the information of Sands Township management and Board of Trustees, and is not intended to be and should not be used by anyone other than these specified parties.

Cowell & Associates PC
Certified Public Accountants
Marquette, Michigan

June 29, 2005

STATEMENT OF NET ASSETS
March 31, 2005

See accompanying notes to financial statements.

SANDS TOWNSHIP

STATEMENT OF ACTIVITIES FOR THE YEAR ENDED MARCH 31, 2005

Functions/Programs	Expenses	Program Revenue			Governmental Activities Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants/ Contributions	Capital Grants/ Contributions	
Governmental Activities:					
Legislative	\$ 11,373	\$	\$	\$	\$ (11,373)
General government	185,202	2,226			(182,976)
Public safety	58,578			2,800	(55,778)
Public works	153,583	15,125	91,894		(46,564)
Health and welfare	30,781	11,402			(19,379)
Community/economic development	6,615				(6,615)
Culture and recreation	45,463				(45,463)
Total Governmental Activities	<u>\$491,595</u>	<u>\$ 28,753</u>	<u>\$ 91,894</u>	<u>\$ 2,800</u>	(368,148)
General Revenues:					
Taxes:					
Property taxes					286,176
Commercial forest act					4,039
Swamp tax					7,469
Penalty, interest and fees on taxes					12,906
State-shared revenues					173,742
Cemetery lot sales					750
Interest					15,712
Other					63,311
Total general revenues					<u>564,105</u>
Change in Net Assets					195,957
Net Assets - April 1, 2004					<u>2,242,005</u>
Net Assets - March 31, 2005					<u>\$ 2,437,962</u>

See accompanying notes to financial statements.

SANDS TOWNSHIP

GOVERNMENTAL FUNDS BALANCE SHEET March 31, 2005

	General Fund	Fire Fund	Road Fund	Nonmajor Governmental Funds	Total Governmental Funds
Assets					
Cash	\$782,268	\$108,740	\$302,844	\$ 125,088	\$ 1,318,940
Taxes receivable	7,917	3,481	6,962	1,740	20,100
Accounts receivable	628				628
Fees receivable	6,111				6,111
Interfund receivables	1,392			2,500	3,892
Due from other governmental units	25,762	20	40	9	25,831
Total assets	<u>\$824,078</u>	<u>\$112,241</u>	<u>\$309,846</u>	<u>\$ 129,337</u>	<u>\$ 1,375,502</u>
Liabilities and Fund Balances					
Liabilities					
Accounts payable	\$ 14,891	\$ 447	\$	\$	\$ 15,338
Interfund payables				2,875	2,875
Total liabilities	<u>14,891</u>	<u>447</u>		<u>2,875</u>	<u>18,213</u>
Fund Balances					
Reserved - cemetery perpetual care				1,467	1,467
Unreserved-					
Designated for capital projects				1,397	1,397
Undesignated	809,187	111,794	309,846	123,598	1,354,425
Total fund balances	<u>809,187</u>	<u>111,794</u>	<u>309,846</u>	<u>126,462</u>	<u>1,357,289</u>
Total liabilities and fund balances	<u>\$824,078</u>	<u>\$112,241</u>	<u>\$309,846</u>	<u>\$ 129,337</u>	<u>\$ 1,375,502</u>

See accompanying notes to financial statements.

SANDS TOWNSHIP

RECONCILIATION OF GOVERNMENTAL FUND BALANCES TO GOVERNMENTAL NET ASSETS

March 31, 2005

Total Governmental Fund Balances			\$ 1,357,289
Amounts reported for governmental activities in the statement of net assets are different because:			
Capital assets used in governmental activities are not financial resources and are not reported in the funds.			
The cost of the capital assets is	\$ 1,510,987		
Accumulated depreciation is	<u>(401,843)</u>	1,109,144	
Long-term liabilities are not due and payable in the current period and are not reported in the funds		<u>(28,471)</u>	
Net assets of governmental activities			<u>\$ 2,437,962</u>

See accompanying notes to financial statements.

SANDS TOWNSHIP

GOVERNMENTAL FUNDS

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE FOR THE YEAR ENDED MARCH 31, 2005

	General Fund	Fire Fund	Road Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues					
Taxes and penalties	\$ 110,785	\$ 42,446	\$ 84,903	\$ 60,948	\$ 299,082
Licenses and permits	2,014				2,014
State grants	182,808	704	1,409	329	185,250
Contributions from local units	87,524				87,524
Charges for services	26,539				26,539
Interest	8,512	862	3,439	2,899	15,712
Other	63,261	2,850		950	67,061
Total revenues	481,443	46,862	89,751	65,126	683,182
Expenditures					
Legislative	11,373				11,373
General government	139,060				139,060
Public safety	16,542	16,487			33,029
Public works	104,817		39,120		143,937
Health and welfare	18,433			796	19,229
Community/economic development	6,615				6,615
Recreation and culture	4,230			39,733	43,963
Other	38,710				38,710
Capital outlay	31,765	2,800		90,850	125,415
Total expenditures	371,545	19,287	39,120	131,379	561,331
Excess of Revenues Over (Under)					
Expenditures	109,898	27,575	50,631	(66,253)	121,851
Other Financing Sources (Uses)					
Operating transfer in				75	75
Operating transfer out				(75)	(75)
Total other financing sources (uses)					
Net Change in Fund Balances	109,898	27,575	50,631	(66,253)	121,851
Fund Balances - April 1, 2004	699,289	84,219	259,215	192,715	1,235,438
Fund Balances - March 31, 2005	<u>\$ 809,187</u>	<u>\$ 111,794</u>	<u>\$ 309,846</u>	<u>\$ 126,462</u>	<u>\$ 1,357,289</u>

See accompanying notes to financial statements.

SANDS TOWNSHIP

RECONCILIATION OF THE STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED MARCH 31, 2005

Net Change in Fund Balances - Total Governmental Funds		\$ 121,851
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures; in the statement of activities, these costs are allocated over their estimated useful lives as depreciation		
Depreciation expense	\$ 55,679	
Capital outlay	<u>(125,415)</u>	(69,736)
Bond principal payment absorbed by Marquette County Solid Waste Management Authority included in the statement of activities		<u>4,370</u>
Change in Net Assets of Governmental Activities		<u>\$ 195,957</u>

See accompanying notes to financial statements.

SANDS TOWNSHIP
FIDUCIARY FUNDS
STATEMENT OF NET ASSETS
March 31, 2005

	Pension Trust Fund	Agency Funds
Assets		
Cash and cash equivalents	\$	\$ 1,173
Investments--at fair value	<u>67,027</u>	
Total assets	<u>\$ 67,027</u>	<u>\$ 1,173</u>
Liabilities and Net Assets		
Liabilities		
Due to other funds	\$	\$ 1,017
Due to other governmental units		<u>156</u>
Total liabilities		<u>1,173</u>
Net assets		
Held in trust for pension benefits	<u>67,027</u>	
Total liabilities and net assets	<u>\$ 67,027</u>	<u>\$ 1,173</u>

See accompanying notes to financial statements.

SANDS TOWNSHIP
FIDUCIARY FUNDS
STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED MARCH 31, 2005

	Pension Trust Fund
Additions	
Investment income - interest and dividends	\$ 2,887
Contributions - employee	<u>7,042</u>
Total additions	9,929
Deductions	
Administrative expenses	<u>212</u>
Total deductions	<u>212</u>
Change in net assets	9,717
Net assets - April 1, 2004	<u>57,310</u>
Net assets - March 31, 2005	<u><u>\$ 67,027</u></u>

See accompanying notes to financial statements.

SANDS TOWNSHIP

NOTES TO FINANCIAL STATEMENTS MARCH 31, 2005

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Sands Township conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by Negaunee Township:

Reporting Entity

Sands Township is governed by an elected five-member Board of Trustees and provides services for about 2,900 residents which includes fire and ambulance protection, garbage collection, and disposal facilities for other refuse. The accompanying financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board for determining the various governmental organizations to be included in the reporting entity. These criteria include significant operational financial relationships that determine which of the governmental organizations are a part of the Township's reporting entity, and which organizations are legally separate, component units of the Township. Based on the application of the criteria, the Township does not contain any component units.

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenue includes (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes, intergovernmental payments, and other items not properly included among program revenues are reported instead as general revenue.

SANDS TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2005

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Government-Wide and Fund Financial Statements - Continued

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

Government-Wide Statements – The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Fund Based Statements – Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures related to compensated absences, and claims and judgments are recorded only when payment is due.

Property taxes, state-shared revenue and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. All other revenue items are considered to be available only when cash is received by the government.

Sands Township reports the following major governmental funds:

The General Fund is the Township's primary operating fund. It accounts for all financial resources except those accounted for in another fund.

SANDS TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2005

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Measurement Focus, Basis of Accounting and Financial Statement Presentation - Continued

Fund Based Statements - Continued

The Fire Fund is used to account for revenues from state and federal grants, special tax levies, and charges for services that are expended for fire equipment, maintenance and improvements.

The Road Fund is used to account for revenues from state and federal grants and special tax levies restricted for maintenance and improvement to county roads within the Township.

Additionally, the Township reports the following fund types:

The Pension Trust Fund accounts for the activities of the Township's employee Section 457 deferred compensation plan for eligible employees.

The Trust and Agency Fund accounts for the collection and disbursement of delinquent taxes and deposits due to other units of government.

The Property Tax Collection Fund accounts for collection and disbursement of current property tax collections.

Private-sector standards of accounting issued prior to December 1, 1989 are generally followed in the government-wide financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board.

Amounts reported as program revenue include: (1) charges to customers or applicants for goods, services or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes.

SANDS TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2005

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Assets, Liabilities, and Net Assets or Equity

Deposits and Investments – Cash and cash equivalents include cash on hand, demand deposits and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value. Pooled investment income is generally allocated to each fund using a weighted average of balance for principal.

Receivables and Payables – In general, outstanding balances between funds are reported as "due to/from other funds."

The Township property tax is levied, due, and becomes a lien each December 1st on the basis of the taxable value of property located in the Township as of the preceding December 31st. If the Township's real property taxes are not collected by the Township Treasurer by March 1st of the year subsequent to levy, Marquette County will pay the Township the remaining balance owing on these taxes. The ultimate collection of personal property taxes is the responsibility of the Township.

The rate to finance general government services for the year ended March 31, 2005 was 2.1617 per \$1,000 of taxable valuation of \$44,668,973, on which an ad valorem tax was levied of \$96,561 for operating purposes. An additional .9504 per \$1,000 of taxable valuation was levied for fire equipment, maintenance and improvements, raising \$42,446, .4751 per \$1,000 of taxable valuation for ambulance equipment, raising \$21,215 and 1.9009 per \$1,000 taxable valuation was levied for roads, raising \$84,903. These amounts are recognized in the respective General and Special Fund financial statements as taxes receivable or as tax revenue.

Under the provisions of Michigan Compiled Laws 397.213, Sands Township contracted with Peter White Public Library for five years to receive library services. The Township agreed to provide 1 mill for the library services of which .8895 mills was levied, raising \$39,733.

Inventories and Prepaid Costs – The Township does not record items as inventories. Supplies are recorded as expenditures when they are purchased.

SANDS TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2005

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Assets, Liabilities, and Net Assets or Equity

Capital Assets – Capital assets, which include land, buildings, equipment, and vehicles, are reported in the applicable governmental column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$2,500 and an estimated useful life in excess of 1 year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Costs of normal repair and maintenance that do not add to the value or materially extended asset life are not capitalized.

Buildings, equipment, and vehicles are depreciated using the straight-line method over the following useful lives:

Buildings and other additions	40 years
Equipment	5 - 25 years
Vehicles	5 - 15 years

Long-Term Obligations - In the government-wide financial statements long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net assets.

Fund Equity – In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Comparative Data/Reclassifications – Comparative data is not included in the Township's financial statements.

Use of Estimates – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

SANDS TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2005

NOTE B – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information – Annual budgets are adopted on a basis consistent with generally accepted accounting principles and state law for the general and special revenue funds, after a public hearing. An amendment is made as soon as it becomes apparent there will be deviations from the original budget. All annual budgets lapse at fiscal year end.

The budget document presents information by fund and function. The legal level of budgetary control adopted by the governing body (i.e., the level at which expenditures may not legally exceed appropriations) is the function level. State law requires the Township to have its budget in place by April 1st. Expenditures in excess of amounts budgeted is a violation of Michigan Law. State law permits townships to amend their budgets during the year. The budgets are presented in the other supplemental information.

During the year, the Township incurred expenditures in certain budgeted funds which were in excess of the amounts appropriated, as follows:

<u>Budget Item</u>	<u>Budget Appropriation</u>	<u>Actual Expenditure</u>	<u>Difference</u>
General Fund			
- Board of review	\$ 1,900	\$ 2,398	\$ 498
- Legal	8,500	10,629	2,129
- Capital outlay - building and grounds		29,256	29,256
- Well testing/aquifer	2,000	3,767	1,767
- Capital outlay - transfer station		2,509	2,509
- Zoning	4,500	6,615	2,115
Ambulance - Capital outlay	21,378	90,850	69,472
- Supplies		796	796

NOTE C – DEPOSITS AND INVESTMENTS

Michigan Compiled Laws, Section 129.91, authorizes Sands Township to deposit and invest in the accounts of federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or federal agency obligation repurchase agreements; banker's acceptance of United States banks; commercial paper rated within the two highest classifications, which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

SANDS TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2005

NOTE C – DEPOSITS AND INVESTMENTS - Continued

The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized investment in certificates of deposit, interest bearing checking accounts, money market accounts, treasury bills and treasury notes, mutual funds limited to securities whose intention is to maintain a net asset value of \$1.00 per share, investment pools and state and municipal bonds. The Township's investments are in accordance with statutory authority.

Michigan law (Section 3, Act 40, PA 1932, as amended) prohibits security in the form of collateral, surety bond, or another form for the deposit of public money. The Township considers highly liquid investments with an original maturity of three months or less when acquired to be cash equivalents.

All investments are put in federally insured bank accounts subject to the FDIC and NCUA insurance limit of \$100,000 per account. The cash from all funds was maintained in a common, interest bearing checking account except for the cemetery, tax collection, and capital projects funds which had their own checking accounts. The interest in the common bank account was allocated to the Fire, Ambulance, and General Funds based upon the average month end balances throughout the year.

At year-end, the Township's deposits were reported in the basic financial statements as cash and cash equivalents as follows:

Governmental activities	\$1,318,940
Fiduciary funds	<u>1,173</u>
Total	<u>\$1,320,113</u>

All of the funds are invested in checking, savings, and certificate of deposit accounts. The deposits of Sands Township were reflected in the accounts of bank and credit union deposits at \$1,323,075, of which \$719,013 is covered by federal depository Insurance and \$157,430 is covered by the National Credit Union Administration.

The Township's investments are \$67,027 in the fiduciary pension trust fund. They are considered a category 2 credit risk which means they are uninsured and unregistered, with securities held by the counterparty's trust department or agent in the government's name.

SANDS TOWNSHIP

NOTES TO FINANCIAL STATEMENTS MARCH 31, 2005

NOTE D – CAPITAL ASSETS

Capital asset activity of Sands Township for the current year was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental Activities				
Capital Assets Not Being Depreciated				
Land	\$ 302,238	\$	\$	\$302,238
Capital Assets Being Depreciated				
Buildings	583,300	31,765		615,065
Equipment	44,689			44,689
Vehicles	455,345	93,650		548,995
Subtotal	1,083,334	125,415		1,208,749
Less Accumulated Depreciation for				
Buildings	132,341	15,360		147,701
Equipment	3,777	4,012		7,789
Vehicles	210,046	36,307		246,353
Subtotal	346,164	55,679		401,843
Net Capital Assets Being Depreciated	737,170	69,736		806,906
Governmental Activities Capital Total				
Capital Assets-net of Depreciation	\$1,039,408	\$69,736	\$	\$1,109,144

NOTE E – INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

The composition of interfund balances is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Due To/From Other Funds		
General	Cemetery Fund	\$ 375
	Tax	1,017
Cemetery	Cemetery Trust	2,500
Total		\$3,892
<u>Transfer In</u>	<u>Transfer Out</u>	<u>Amount</u>
Interfund Transfers		
Cemetery Perpetual Care	Cemetery	\$ 75

SANDS TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2005

NOTE F – LONG-TERM DEBT

Bond and contractual obligation activity can be summarized as follows:

	Balance April 1, 2004	Issued	Retired	Balance March 31, 2005	Due Within One Year
Governmental Activities					
General Obligation Bonds:					
Marquette County Solid Waste Management Authority Bonds					
Amount of issue - \$61,315					
Maturity through 2009	\$ 32,841	\$	\$ 4,370	\$ 28,471	\$ 4,745
Total governmental activities	\$ 32,841	\$	\$ 4,370	\$ 28,471	\$ 4,745

On May 19, 2004 the Marquette County Solid Waste Management Authority Board agreed to absorb the May, 2004 installment of \$6,492 of the 1989 bond issue. In 2005 they also agreed to absorb the May, 2005 installment amount of \$6,609.

Annual debt service requirements to maturity for the above obligations are as follows:

	Governmental Activities		
Year End March 31	Principal	Interest	Total
2005	\$ 4,745	\$ 1,864	\$ 6,609
2006	5,245	1,461	6,706
2007	5,619	1,049	6,668
2008	6,119	618	6,737
2009	6,743	169	6,912
Total	\$ 28,471	\$ 5,161	\$ 33,632

NOTE G – RISK MANAGEMENT

Sands Township is exposed to various risks of loss related to property loss, torts, errors and omissions and employee injuries, i.e. workers compensation. Commercial insurance has been purchased to cover workers compensation, property and general liability claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

SANDS TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2005

NOTE H – SUBSEQUENT EVENTS

On June 14, 2005, Sands Township^o voted to enter into construction agreements for County Road NNN at an estimated cost of \$74,327, and County Road NF at an estimated cost of \$100,625 to the Township. Road repairs at Oakridge Ridge and Stone Gate Roads and patching at AMZ Road at an estimated cost of \$3,726 were also approved.

On June 16, 2005, Sands Township entered into an agreement with Marquette Township for a conditional transfer of certain property within Sands Township and contiguous to Marquette Township. Marquette will provide all Township services now available, or as may be adjusted from time to time, to residents and property owners within the Township. The property will be subject to Marquette taxation and will be for a term of 25 years with an option for renewal for another 25 years by mutual written agreement. During the period of the conditional transfer, Marquette shall annually return to Sands Township one-half (1/2) of the tax revenues derived from the transferred territory which sum, however, shall at no time be greater than three (3) mills applied to the taxable value of said territory.

Sands Township is the recipient of a FEMA grant of \$180,000 to be used for a fire tanker truck. The truck will cost \$211,777 and will be reflected in the statements for the year ended March 31, 2006.

NOTE I – COMMITMENTS AND CONTINGENCIES

The Township is the defendant in a number of lawsuits arising principally in the normal course of operations. In the opinion of the administration, the outcome of these lawsuits will not have a material adverse effect on the accompanying combined financial statements and accordingly, no provision for losses has been recorded.

NOTE J – DEFERRED COMPENSATION PLAN

The Township has a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan is administered by an independent plan administrator. Employees defer a portion of their salary until future years. Deferred compensation is not available to employees until termination, retirement, death or financial hardship. The plan is accounted for as a fiduciary fund – pension trust. The plan's assets are presented at fair market value and captioned as investments.

SANDS TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2005

NOTE J – DEFERRED COMPENSATION PLAN - Continued

All amounts of compensation deferred under the plan, all property and rights purchased with those amounts, and all income attributable to those amounts, property, or rights are (until paid or made available to the employee or other beneficiary) solely the property and rights of the Township, subject only to the claims of the Township's general creditors. Participants' rights under the plan are equal to those of general creditors of the Township in an amount equal to the fair market value of the deferred amount for each participant. The Township believes it is unlikely that it will use the assets to satisfy the claims of general creditors in the future.

NOTE K – ACT 425 AGREEMENT

On December 18, 2002 Sands Township made a conditional transfer of approximately 2,400 acres of property to Forsyth Township to enable Forsyth Township to pursue an economic development project (Sawyer International Airport) as provided by Public Act 425 of 1984. Upon expiration of this agreement after the two-year period, the property was permanently transferred.

SANDS TOWNSHIP

REQUIRED SUPPLEMENTAL INFORMATION GENERAL FUND

BUDGETARY COMPARISON SCHEDULE FOR THE YEAR ENDED MARCH 31, 2005

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance With Amended Budget</u>
Revenues				
Taxes and penalties				
Taxes	\$ 97,259	\$ 97,259	\$ 97,878	\$ 619
Penalties, interest and fees	<u>4,000</u>	<u>4,000</u>	<u>12,907</u>	<u>8,907</u>
Total taxes and penalties	101,259	101,259	110,785	9,526
State grants				
State shared revenue	181,554	181,554	173,742	(7,812)
Commercial forest reserve	1,000	1,000	1,597	597
Swamp tax	<u></u>	<u></u>	<u>7,469</u>	<u>7,469</u>
Total state grants	182,554	182,554	182,808	254
Contributions from local units	52,000	81,000	87,524	6,524
Interest	5,000	5,000	8,512	3,512
Charges for services				
Trailer fees	150	150	212	62
Other fees	<u>20,000</u>	<u>20,000</u>	<u>26,327</u>	<u>6,327</u>
Total charges for services	20,150	20,150	26,539	6,389
Licenses and permits	3,000	3,000	2,014	(986)
Other				
Timber cutting			50,697	50,697
Miscellaneous	<u>1,000</u>	<u>1,000</u>	<u>12,564</u>	<u>11,564</u>
Total other	<u>1,000</u>	<u>1,000</u>	<u>63,261</u>	<u>62,261</u>
Total revenues	<u>364,963</u>	<u>393,963</u>	<u>481,443</u>	<u>87,480</u>

SANDS TOWNSHIP

REQUIRED SUPPLEMENTAL INFORMATION GENERAL FUND

BUDGETARY COMPARISON SCHEDULE - Continued FOR THE YEAR ENDED MARCH 31, 2005

	Original Budget	Amended Budget	Actual	Variance With Budget
Expenditures				
LEGISLATIVE - Township board	\$ 16,000	\$ 14,500	\$ 11,373	\$ (3,127)
GENERAL GOVERNMENT				
Supervisor	20,000	20,000	18,272	(1,728)
Clerk	22,000	22,000	20,479	(1,521)
Audit and accounting	5,000	6,500	6,309	(191)
Board of review	1,800	1,900	2,398	498
Treasurer	22,000	26,500	26,375	(125)
Assessor/equalization	19,000	19,000	17,705	(1,295)
Elections	6,000	9,500	9,463	(37)
Buildings and grounds				
Buildings and grounds - townhall	400	400	162	(238)
Buildings and grounds - office complex	20,500	49,100	25,720	(23,380)
Capital outlay - buildings and grounds			29,256	29,256
Total buildings and grounds	20,900	49,500	55,138	5,638
Legal	19,000	8,500	10,629	2,129
Cemetery	6,500	6,500	1,548	(4,952)
TOTAL GENERAL GOVERNMENT	142,200	169,900	168,316	(1,584)
PUBLIC SAFETY				
Fire department #1	13,000	15,000	13,829	(1,171)
Fire department #2	5,000	5,000	2,713	(2,287)
Animal control	2,000	2,000		(2,000)
TOTAL PUBLIC SAFETY	20,000	22,000	16,542	(5,458)
PUBLIC WORKS				
Highways, streets and lighting				
Endloader operations	1,000	2,500	1,949	(551)
Lights	4,000	5,000	4,453	(547)
Total highways, streets and lighting	5,000	7,500	6,402	(1,098)
Sanitation	88,000	89,500	88,422	(1,078)
Transfer station	8,000	9,500	6,226	(3,274)
Well testing/aquifer	2,000	2,000	3,767	1,767
Capital outlay - transfer station			2,509	2,509
TOTAL PUBLIC WORKS	103,000	108,500	107,326	(1,174)

SANDS TOWNSHIP

REQUIRED SUPPLEMENTAL INFORMATION GENERAL FUND

BUDGETARY COMPARISON SCHEDULE - Continued FOR THE YEAR ENDED MARCH 31, 2005

	Original Budget	Amended Budget	Actual	Variance With Budget
HEALTH AND WELFARE				
Ambulance	\$ 15,000	\$ 19,000	\$ 18,433	\$ (567)
COMMUNITY/ECONOMIC DEVELOPMENT				
Zoning	8,500	4,500	6,615	2,115
Regional planning	2,500	2,500		(2,500)
TOTAL COMMUNITY AND ECONOMIC DEVELOPMENT	11,000	7,000	6,615	(385)
RECREATION AND CULTURE				
Parks and recreation	6,000	6,400	4,000	(2,400)
Library committee meeting		500	230	(270)
TOTAL RECREATION AND CULTURE	6,000	6,900	4,230	(2,670)
OTHER				
Insurance	26,000	27,500	26,842	(658)
Township share FICA	12,000	12,000	11,868	(132)
Debt service	3,000	1,500		(1,500)
Bond indebtedness/interest	2,000	2,000		(2,000)
Needed for contingencies	8,763	3,163		(3,163)
TOTAL OTHER	51,763	46,163	38,710	(7,453)
Total expenditures	364,963	393,963	371,545	(22,418)
Net Change in Fund Balance			109,898	109,898
Fund Balance - April 1, 2004	699,289	699,289	699,289	
Fund Balance - March 31, 2005	<u>\$699,289</u>	<u>\$ 699,289</u>	<u>\$ 809,187</u>	<u>\$ 109,898</u>

SANDS TOWNSHIP

REQUIRED SUPPLEMENTARY INFORMATION SPECIAL REVENUE FUNDS-FIRE AND ROAD FUNDS STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL FOR THE YEAR ENDED MARCH 31, 2005

	Fire Fund			Road Fund		
	Original and Amended Budget	Actual	Over (Under) Budget	Original and Amended Budget	Actual	Over (Under) Budget
Revenues						
Taxes-current tax collections	\$ 42,760	\$ 42,446	\$ (314)	\$ 85,520	\$ 84,903	\$ (617)
State grants-CFR		704			1,409	1,409
Interest		862	862		3,439	3,439
Other		2,850	2,850			
Total revenues	42,760	46,862	(4,102)	85,520	89,751	4,231
Expenditures						
Fire department	42,760	19,287	(23,473)			
Roads				85,520	39,120	(46,400)
Total expenditures	42,760	19,287	(23,473)	85,520	39,120	(46,400)
Net Change in Fund Balances		27,575	27,575		50,631	50,631
Fund Balances - April 1, 2004	84,219	84,219		259,215	259,215	
Fund Balances - March 31, 2005	<u>\$ 84,219</u>	<u>\$ 111,794</u>	<u>\$ 27,575</u>	<u>\$ 259,215</u>	<u>\$ 309,846</u>	<u>\$ 50,631</u>

OTHER SUPPLEMENTAL INFORMATION

SANDS TOWNSHIP

OTHER SUPPLEMENTAL INFORMATION NONMAJOR GOVERNMENTAL FUNDS COMBINING BALANCE SHEET March 31, 2005

	Special Revenue Funds			Capital Projects Fund	Cemetery Perpetual Care Fund	Total Nonmajor Funds
	Ambulance Fund	Cemetery Fund	Library Fund			
Assets						
Cash	\$ 75,706	\$ 44,018	\$	\$ 1,397	\$ 3,967	\$ 125,088
Taxes receivable	1,740					1,740
Interfund receivables		2,500				2,500
Due from other governmental units	9					9
Total assets	<u>\$ 77,455</u>	<u>\$ 46,518</u>	<u>\$</u>	<u>\$ 1,397</u>	<u>\$ 3,967</u>	<u>\$ 129,337</u>
Liabilities and Fund Balances						
Liabilities						
Interfund payables	\$	\$ 375	\$	\$	\$ 2,500	\$ 2,875
Total liabilities		<u>375</u>			<u>2,500</u>	<u>2,875</u>
Fund Balances						
Reserved for:						
Cemetery perpetual care					1,467	1,467
Unreserved:						
Designated for capital projects				1,397		1,397
Undesignated	77,455	46,143				123,598
Total fund balances	<u>77,455</u>	<u>46,143</u>		<u>1,397</u>	<u>1,467</u>	<u>126,462</u>
Total liabilities and fund balances	<u>\$ 77,455</u>	<u>\$ 46,518</u>	<u>\$</u>	<u>\$ 1,397</u>	<u>\$ 3,967</u>	<u>\$ 129,337</u>

SANDS TOWNSHIP

OTHER SUPPLEMENTAL INFORMATION NONMAJOR GOVERNMENTAL FUNDS COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES FOR THE YEAR ENDED MARCH 31, 2005

	Special Revenue Funds			Capital Projects Fund	Cemetery Perpetual Care Fund	Total Nonmajor Funds
	Ambulance Fund	Cemetery Fund	Library Fund			
Revenues						
Current tax collections	\$ 21,215	\$	\$ 39,733	\$	\$	\$ 60,948
Commercial forest reserve	329					329
Interest	2,632	226		7	34	2,899
Other	200	750				950
Total revenues	24,376	976	39,733	7	34	65,126
Expenditures						
Public safety						
Health and welfare	796					796
Recreation and culture			39,733			39,733
Capital outlay	90,850					90,850
Total expenditures	91,646		39,733			131,379
Excess of Revenues Over (Under)						
Expenditures	(67,270)	976		7	34	(66,253)
Other Financing Sources (Uses)						
Operating transfer in					75	75
Operating transfer out		(75)				(75)
Net Change in Fund Balances	(67,270)	901		7	109	(66,253)
Fund Balances - April 1, 2004	144,725	45,242		1,390	1,358	192,715
Fund Balances - March 31, 2005	\$ 77,455	\$ 46,143	\$	\$ 1,397	\$ 1,467	\$ 126,462

SANDS TOWNSHIP

OTHER SUPPLEMENTAL INFORMATION FIDUCIARY FUNDS COMBINING STATEMENT OF NET ASSETS FOR THE YEAR ENDED MARCH 31, 2005

	Pension Trust Fund	Tax Collection	Agency Funds Trust and Agency	Total
Assets				
Cash and investments	\$ 67,027	\$ 1,017	\$ 156	\$ 1,173
Liabilities and Net Assets				
Liabilities				
Due to other funds	\$	\$ 1,017	\$	\$ 1,017
Due to other governmental units			156	156
Total liabilities		\$ 1,017	\$ 156	\$ 1,173
Net Assets - Held in trust for pension benefits	67,027			
Total liabilities and net assets	\$ 67,027			

COWELL & LaPOINTE, PC

CERTIFIED PUBLIC ACCOUNTANTS

ROBERT K. COWELL, CPA

GLORIA J. LaPOINTE, CPA, CFP

101 SOUTH FRONT STREET

SAVINGS BANK BUILDING, SUITE 309

MARQUETTE, MICHIGAN 49855

906-228-5150

Board of Trustees
Sands Township
Marquette County, Michigan

We have audited the financial statements of Sands Township, for the year ended March 31, 2005 and have issued our report thereon dated June 29, 2005. Professional standards require that we provide you with the following information related to our audit.

OUR RESPONSIBILITY UNDER GENERALLY ACCEPTED AUDITING STANDARDS

As stated in our engagement letter dated March 23, 2005, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement and are fairly presented in accordance with generally accepted accounting principles. Because of the concept of reasonable assurance and because we did not perform a detailed examination of all transactions, there is a risk that material errors, fraud, or other illegal acts may exist and not be detected by us.

As part of our audit, we considered the internal control of Sands Township. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

SIGNIFICANT ACCOUNTING POLICIES

Management has the responsibility for selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by Sands Township are described in Note A to the financial statements. We noted no transactions entered into by Sands Township during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

ACCOUNTING ESTIMATES

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. These estimates are relatively insignificant in relation to the financial statements taken as a whole.

SANDS TOWNSHIP
LETTER ON ANNUAL REPORT – Continued
Page Two

SIGNIFICANT AUDIT ADJUSTMENTS

For purposes of this letter, professional standards define a significant audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. These adjustments may include those proposed by us but not recorded by Sands Township that could potentially cause future financial statements to be materially misstated, even though we have concluded that such adjustments are not material to the current financial statements.

Our audit adjustments consisted primarily of reclassification entries and year-end journal entries. These entries, individually, and in the aggregate, have a significant effect on the financial reporting process.

DISAGREEMENTS WITH MANAGEMENT

For the purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

CONSULTATIONS WITH OTHER INDEPENDENT ACCOUNTANTS

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to Sands Township's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

DIFFICULTIES ENCOUNTERED IN PERFORMING THE AUDIT

We encountered no significant difficulties in dealing with management in performing and completing our audit.

This information is intended solely for the use of the Sands Township Board of Trustees management and should not be used for any other purpose.

Very truly yours,


Certified Public Accountants

June 29, 2005

Board of Trustees
Sands Township
Marquette County, Michigan

MANAGEMENT LETTER ON ANNUAL REPORT

In connection with the examination of the financial statements of Sands Township for the year ended March 31, 2005, we submit the following comments and recommendations:

BUDGETS

The Uniform Budget and Accounting Act, PA2 of 1968, as amended, (MCL 141.421, et seq.), provides that a local governmental unit shall not incur expenditures in excess of the amount appropriated. During the year, Sands Township incurred expenditures in certain budgeted funds, which were in excess of the amounts appropriated, as follows:

General Fund	
Board of review	\$ 498
Capital outlay-building and grounds	29,256
Legal	2,129
Well testing/aquifer	1,767
Capital outlay-transfer station	2,509
Zoning	2,115
Special Revenue Funds	
Ambulance - capital outlay	69,472
- supplies	796

The Act also requires the budgeting of capital outlay expenditures for general, special revenue and capital projects funds. Your budgeting procedures have not identified capital outlay expenditures as a separate line item in the general fund. We suggest you separate capital outlay expenditures as a line item in the general fund.

Several line items in the final budget (building and grounds, board of review, contingency, parks and recreation and sanitation) did not agree to the original budget plus amendments. When amended budgets are presented for approval we suggest they be reconciled to the original budget and previous amendments.

**SANDS TOWNSHIP
MANAGEMENT LETTER ON ANNUAL REPORT**
Page Two

CASH BALANCES

We understand the year was very difficult because of the Clerk position changing hands several times. The cash balances between the Treasurer and Clerk did not balance for several accounts and funds this past year. Most of the differences came from a different interpretation of the fire millage and what expenses it covers. We understand you have come to an agreement on what is covered and will try to clarify the fire millage language when it comes up for renewal.

The cash balances have been reconciled between the Treasurer and Clerk as of March 31, 2005. We suggest you continue to reconcile this on a monthly basis.

We want to thank Township personnel for their help during the audit. If we can be of assistance in the implementation of these recommendations or any other services as they may arise, please contact us.

Cowell & Pante PC

Certified Public Accountants

June 29, 2005